USPS-RT-23

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES,2000 — Docket No. R2000-1

REBUTTAL TESTIMONY
OF
CHRIS F. CAMPBELL
ON BEHALF OF
UNITED STATES POSTAL SERVICE

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Autobiographical Sketch

My name is Chris F. Campbell. I am an Operations Research Specialist in Special Studies at Postal Service Headquarters. Since joining the Postal Service in 1998, I have worked on costing issues with a primary focus on Special Services and Business Reply Mail. I was the Postal Service cost witness for numerous Special Services and Business Reply Mail in this docket (USPS-T-29).

I. Purpose of Testimony

KeySpan Energy (KeySpan) witness Bentley (KE-T-1; Tr. 29/13980 et seq.) has submitted testimony which proposes Qualified Business Reply Mail (QBRM) fees for low-volume and high-volume users that are significantly lower than the fees proposed by Postal Service witness Mayo (USPS-T-39).

The purpose of my testimony is to demonstrate how Mr. Bentley has arbitrarily manipulated postal data and developed productivity estimates to support the QBRM per-piece fees he has proposed. When one examines per-piece cost models for both high and low-volume BRM accounts, one realizes just how sensitive the models are to changes in both productivities and counting method percentages. Minimal changes to the model inputs can have a significant impact on QBRM unit cost estimates. My testimony shows just how KeySpan witness Bentley's cost analysis arbitrarily generates a low per-piece cost.

II. Review of KeySpan Proposal

KeySpan's QBRM per-piece fee proposal generally maintains the same structure as that proposed by the Postal Service.[1] Witness Bentley agrees that "[t]he basic QBRM fee structure proposed by the Postal Service provides an appropriate framework for revising QBRM rates."[2] While keeping the framework, however, Mr. Bentley has chosen to make radical changes to the Postal Service's proposed QBRM fees. His proposal significantly reduces per-piece accounting fees for both high and low-volume QBRM recipients (from 3.0 and 6.0 cents to 0.5 cent and 4.5 cents, respectively) and raises the fixed fee intended to cover billing and rating functions for high-volume QBRM (from $850 per quarter to $1,000 per month). By increasing the fixed fee to $12,000 per year ($1,000 x 12 months), KeySpan advocates hiking the Postal Service's proposed breakeven between low-volume and high-volume BRM from 113,000 pieces to 300,000 pieces annually, depriving a significant number of accounts and mail pieces from the benefits of a de-averaged fee structure.

The underlying costs for KeySpan's per-piece fees as presented by witness Bentley are shown below in Table 1.

Table 1

QBRM Category	Cost per piece	Monthly fixed cost (per account)
High-volume	0.17 cents	$232.096[3]
Low-volume	3.43 cents	N/A

[1] Compare USPS-T-39 at 21 with KE-T-1 at Tr. 29/13986.
[2] See KE-T-1 at 5; Tr. 29/13987.
[3] Mr. Bentley accepts the billing and rating cost as presented by USPS witness Campbell in Docket No. R2000-1, USPS-T-29.

III. KeySpan's Manual Counting Productivity Does Not Capture All Relevant Tasks

Witness Bentley incorrectly asserts in his testimony that the "per-piece fee for high volume QBRM should reflect only the function of counting."[4] This statement not only reinforces his lack of understanding of the postage due activities involved prior to rating BRM pieces, but it also demonstrates his failure to appreciate the cost analysis which has served as the foundation for measuring BRM counting costs over the last decade.

Current QBRM fees are based primarily on the Docket No. R97-1 testimony of Postal Service witness Schenk (USPS-T-27). One of the principal pillars of her testimony is the Docket No. R90-1 testimony of Postal Service witness Pham (USPS-T-23). When witness Pham set out to study BRM processing in 1989, he focused on costs considered incremental to BRM, costs above and beyond those already allocated to First-Class Mail. He recognized that there are numerous cost differences between the total cost of providing BRM service and that of regular First-Class Mail service. In a September 1989 memo to his supervisor, witness Pham described his BRM cost study requirements and emphasized the need to fully capture incremental costs as follows:

> Any special service cost study such as the proposed BRM cost study is bound to reflect the special service fee concept that requires an accurate accounting of the incremental and additional costs needed to provide the special service above and beyond the costs already allocated to the regular classes of mail (First Class in the case of BRM). These incremental/additional costs should encompass all costs and should not be limited to clerical processing, accounting or other postage due unit costs as in the case of the 1972 BRM special cost study. In other words, they should reflect all cost differences between the total cost of providing BRM service and that of First Class Mail service.

[4] See Exhibit KE-T-1, page 7; Tr. 29/13989.

See Attachment USPS-RT-23A. Based on the "incremental" costing approach described above, witness Pham developed a data collection plan intended to quantify "incremental costs to handle BRM, above and beyond First-Class Mail." He sent data collection forms and instructions to 15 BRM processing sites for completion over a two-week period.[5] As shown in his Docket No. R90-1 testimony at Form 3-B in Exhibit USPS-23A, witness Pham breaks out BRM postage due activities into manual clerical work elements considered incremental to BRM.

A productivity for *distribution*, the first work element on witness Pham's Form 3B, is needed to determine the incremental BRM per-piece cost. In this context, the term *distribution* (sometimes called "sorting and counting") encompasses an array of tasks including (1) obtaining BRM trays from a designated area, (2) sorting trays containing BRM with multiple P.O. boxes into appropriate separations, (3) counting BRM pieces, (4) keeping track of BRM counts for multiple accounts, and (5) returning trays to a designated area. Witness Pham's study captured, among other things, the workhours needed to distribute a finite number of BRM pieces. Also, by conducting the study over a two-week period, such factors as set-up time, clerk fatigue, and travel time are incorporated into the study. A manual distribution (or "sorting and counting") productivity of 951 pieces per hour (PPH)[6] is derived from the consolidated summary report shown in Docket No. R90-1, Exhibit USPS-23F.

[5] See Docket No. R90-1, USPS-T-23, page 4.
[6] BRM volume / distribution workhours = 7,382,484 / 7,763.48 = 951 PPH

Witness Bentley does not agree with the PRC-approved manual productivity derived by witness Pham in Docket No. R90-1 and incorporated into the Postal Service's BRM costing analysis presented in this docket. Instead, witness Bentley's approach is to derive a manual *counting* productivity based on his observation of four KeySpan employees counting letters while sitting at a table for 20 minutes.[7] Based upon this brief simulation and his arbitrary application of a factor to account for down time,[8] Mr. Bentley arrived at a counting productivity of 2,746 PPH. This productivity estimate does not reflect most of the relevant "real world" incremental tasks that witness Pham so carefully studied over a two-week period. Witness Bentley's inflated manual counting productivity is therefore an inferior productivity to use in a BRM costing analysis.[9]

IV. Mr. Bentley's Weight Averaging Productivity is Questionable

A. Productivity Based on Three Minutes of Data

Weight averaging is an alternative method used by postage due clerks to count QBRM pieces when automated methods are infeasible. In his testimony, witness Bentley attempts to derive a weight averaging productivity using a videotaped simulation. The videotape, submitted as KE-LR-2, shows a KeySpan employee applying a weight averaging technique for the purpose of obtaining BRM piece-counts for four trays containing letters. Based on three minutes of

[7] See Exhibit KE-1C; Tr. 29/14033.
[8] The arbitrary factor assumes "that a clerk is productive for only 36 minutes during each hour worked" (see TR 29/14070). Mr. Bentley provides no explanation as to how he arrived at this assumption.
[9] Note that by substituting Mr. Bentley's manual productivity of 2,746 (Exhibit KE-1B, page 1; Tr. 29/14026) with witness Pham's productivity of 951, Mr. Bentley's cost per piece for high-volume BRM is increased from 0.17 cents to 0.5 cents, while the cost per piece for low-volume BRM is increased from 3.43 cents (Exhibit KE-1B, page 2; Tr. 29/14027) to 4.78 cents.

data and by applying an arbitrary "down time" factor, Mr. Bentley calculates a weight averaging productivity of 68,078 PPH.[10]

Witness Bentley's estimated weight averaging productivity is highly suspect for two reasons. First, when compared to a 1987 Postal Service study at a large site implementing weight averaging, his productivity estimate is a staggering *ten times* higher than the productivity estimate using actual Postal operational data.[11] Second, the videotape does not reflect "real world" postal operations. Witness Bentley admits that the purpose of the videotape is "to show just how inefficient hand counting is and how much more efficient counting by weighing techniques is."[12] At best, it shows BRM counting in a scenario contrived for the camera.

B. Nonletter-size vs. Letter-size BRM Productivities

As mentioned above, the 1987 Postal Service study resulted in a weight averaging productivity of 6,390 PPH.[13] The weight averaging productivity for nonletter-size BRM presented in this docket is 7,272 PPH.[14] The relationship between these two productivities is counter intuitive. As I testified earlier in this proceeding, the weight averaging productivity for small, non-uniform BRM pieces (usually weighing a few ounces) should be lower than that for uniform BRM letters. However, currently there are no data that provide a basis for estimating what the productivity for letter weight averaging might be. Unlike for nonletter-

[10] See Exhibit KE-1C, page 3; Tr. 29/14035.
[11] The 1987 study produced a productivity of 6,390 PPH. See Tr. 14/5989-92.
[12] See KE-LR-2, page 1.
[13] See Tr. 14/5989-92.
[14] See Docket No. R2000-1, USPS LR-I-160, Section K.

size BRM, the Postal Service has developed no standards or procedures for applying weight averaging to trays of letters.

The Postal Service is currently in the early stages of reviewing BRM counting, billing, and rating procedures. We anticipate improvements in BRM processing and accounting through the development and implementation of best practices and standards. Regrettably, these improvements will not be implemented until after Test Year 2001. Tr. 21/9466. Meanwhile, there is no basis whatsoever for concluding that the productivity for letter weight averaging is 68,078 PPH – nine times higher than that for nonletter-size pieces.

V. Data Have Been Manipulated to Reach Desired Outcome

A. Counting Percentage Estimates

After completing his own "studies" to derive counting productivities, witness Bentley's second step for deriving a per-piece counting cost for QBRM was to "estimate the percent of volumes that are counted by each of the five [accounting] methods used."[15] His estimates are based, in part, on QBRM annual volume data for the top 72 accounts[16] provided by the Postal Service in response to KE/USPS-T29-49[17] and KE/USPS-T29-53.[18] The Postal Service also separately provided witness Bentley with annual volumes for the largest QBRM customer. This customer's volumes (which are not recorded in CBCIS) make up nearly 25 percent of the volume reflected in Mr. Bentley's "top 77

[15] See KE-T-1, page 9; Tr. 29/13991.
[16] Obtained from the USPS Corporate Business Customer Information System (CBCIS) database.
[17] See Tr. 14/6025-30.
[18] See Tr. 21/9450; USPS-LR-I-331.

accounts."[19] Witness Bentley then separately added QBRM volumes totaling 5.5 million for an account in the New York metropolitan area.[20]

The counting methods to which he refers were from the 1997 BRM Practices Study (Docket No. R97-1, USPS-LR-H-179) and a telephone survey conducted by the Postal Service.[21] Mr. Bentley's derived high-volume QBRM counting method percentages are shown in Table 2.

Table 2
High-Volume QBRM Counting Method Percentages

Counting Method	Percent
BRMAS	51.6%
EOR	28.1%
Manual	11.2%
Weighing/SCM	9.2%
Total	100%

B. Mr. Bentley Erroneously Includes 56 Million QBRM Pieces

Witness Bentley's analysis of high-volume account suffers from a serious problem. He includes 56 million QBRM pieces from the largest QBRM customer cited above, as part of the volume associated with the top 77 high-volume QBRM accounts.[22] These 56 million pieces make up nearly 25 percent of the volume he associates with his top 77 accounts. Mr. Bentley erroneously assumes that this huge amount of volume is received by a single account.[23] Instead, these 56 million QBRM pieces are received by approximately 2,500 separate accounts. If

[19] These data are presented in Exhibit KE-1D, page 7; Tr. 29/14043. These data were provided to KeySpan separately because the volumes are not contained in the CBCIS database.
[20] Also not recorded in CBCIS.
[21] See response to KE/USPS-T29-49; Tr. 14/6025-30.
[22] Mr. Bentley correctly removes the 56 million pieces to estimate counting method percentages for high-volume accounts not in the "Top 77." See Exhibit KE-1B, page 4; Tr. 29/14029.
[23] See Exhibit KE-1G, page 2 where he states that he "received separate data for one very large account."; Tr. 29/14059.

one assumes that each account receives 22,400 QBRM pieces per year, then each would be considered a "low-volume" account and should not be incorporated into witness Bentley's analysis, given that his goal is to determine the counting method percentages of only high-volume accounts (those receiving 300,000+ pieces per year). By including all of these 56 million pieces in his high-volume QBRM analysis, Mr. Bentley overestimates the volume of "high-volume" QBRM pieces and, thus, underestimates the unit cost to count QBRM received in high volumes.[24]

C. High-Volume Counting Method Estimates are Skewed

Mr. Bentley's QBRM per piece accounting fee proposal assumes a break-even volume of 300,000 pieces per year, meaning that a recipient would need to receive at least 300,000 QBRM pieces per year in order to benefit from his proposed de-averaging. Based on this breakeven volume, Mr. Bentley estimates that 300 separate accounts could switch to his proposed high-volume category.[25] He estimates the total volume from these accounts to be 345 million pieces.

With respect to estimating volumes by counting method for high-volume recipients, Mr. Bentley states that his counting method percentages are based on "74 offices" for which he has volumes by counting method.[26] The percentages that he derived for his "top 74" accounts are shown in Exhibit KE-1D, page 1. Tr. 29/14037. Further, he says that these volumes "represent 241 million pieces out of the 345 million that comprise the high-volume universe."[27] Given that he

[24] The site uses an efficient system similar to BRMAS.
[25] See Exhibit KE-1G, page 2; Tr. 29/14059.
[26] See Exhibit KE-1G, page 3; Tr. 29/14060.
[27] Ibid.

erroneously included all 56 million pieces representing 2,500 accounts (as indicated above), his counting percentages for the top 73 accounts (not 74 accounts) actually could represent as little as 185 million pieces[28] (not 241 million pieces) out of a 289 million high-volume universe (not 345 million).[29]

Mr. Bentley's next step was to estimate the counting method percentages for the remaining QBRM volume not included in his top 74 accounts. His testimony states that he "re-computed the percentages by counting method for the sample, excluding the input from those two [large] accounts." His "re-computed" percentages are shown in Exhibit KE-1D, page 1. Again, because he erroneously included as many as 56 million pieces, it would only have been necessary for him to subtract out the volume from a single large account consisting of 38 million pieces.[30] The remaining volume would be approximately 146 million.

By applying the "re-computed" percentages, Mr. Bentley set out to determine the volumes by counting method for the remaining 104 million pieces.[31] He then derived the final counting method percentages for high-volume QBRM (shown above in Table 2) by adding volumes from the initial sample to the remaining 104 million pieces.

I have serious concerns with Mr. Bentley's counting method analysis for high-volume accounts. First, he misinterprets data provided to him by the Postal Service and erroneously includes up to 56 million QBRM pieces in his high-

[28] 241 million – 56 million = 185 million pieces
[29] 345 million – 56 million = 289 million pieces
[30] See KE-LR-1, page 3.
[31] See Exhibit KE-1G, page 3; Tr. 29/14060.

volume QBRM analysis. Second, he applies the counting method percentages for the highest 74 accounts (less 2 accounts) to the next 226 accounts (in order of descending volume) reflected in the data provided in response to KE/USPS-T29-53(f).[32] However, he has no basis for assuming that the counting methods used for accounts receiving between one million to ten million QBRM pieces per year would apply to QBRM accounts receiving 250,000 to one million pieces to the same degree. There is no question that his counting percentage estimates for the top 300 QBRM accounts are skewed in favor of low-cost efficient counting methods.

D. Mr. Bentley's Low-Volume Counting Percentage Estimates Lack a Foundation

After deriving counting method percentages for high-volume QBRM accounts, witness Bentley set out to derive counting method percentages for low-volume QBRM accounts (less than 300,000 QBRM pieces). As I will demonstrate, his analysis is arbitrary in nature and based on unsupported assumptions, a troublesome combination.

Mr. Bentley's first assumption is that "the percentages by counting method derived for the higher volumes would be applicable so long as the volume received was 100,000 or more."[33] He provides no basis for making this statement. When asked by the Postal Service to explain the basis for this assumption, he replies that accounts receiving 100,000 or more pieces per year

[32] See Tr. 21/9450; USPS-LR-I-331.
[33] See Exhibit KE-1G, page 3; Tr. 29/14060.

"would exhibit daily volumes that would make it cost efficient for the Postal Service to count letters by means other than manual counts."[34]

His testimony further states that 100,000 pieces "implied an average of about 400 pieces received per day, which is near the breakpoint above which hand counting is no longer efficient."[35] When asked by the Postal Service to explain the basis for this assumption, he replies that he "counted QBRM sample letters several times by hand and by weight averaging"[36] and that "[a]t low levels of 100 or less, hand counting was more effective."[37]

Having established the above arbitrary assumptions, witness Bentley proceeded to estimate counting method percentages for "the 70 million pieces received in quantities of between 100,000 and 300,000 per year"[38] using the counting method percentages derived for high-volume accounts. Unfortunately, because witness Bentley erroneously included as many as 56 million pieces as high-volume pieces instead of low-volume pieces, his 70 million piece estimate is off by as much as 80 percent.[39] He then assumed that 100 percent of the QBRM pieces received in quantities less than 100,000 per year are counted by hand.[40]

As with Bentley's high-volume methodology, I have serious concerns with his methodology to derive counting method percentages for low-volume accounts. First, his responses to Postal Service inquiries clearly show that he has no basis for making the above-referenced assumptions made in deriving low-

[34] See Tr. 29/14073.
[35] See Exhibit KE-1G, page 3; Tr. 29/14060-61.
[36] See Tr. 29/14072.
[37] Ibid.
[38] See Exhibit KE-1G, page 4; Tr. 29/14061.
[39] (56 million / 70 million) * 100% = 80%
[40] See Exhibit KE-1B, page 5; Tr. 29/14030.

volume counting method percentages. They are founded on what he believes to be the most "cost efficient for the Postal Service" and not on actual postal operations. Second, his lack of knowledge regarding postal data resulted in inaccurate counting method percentages.

E. Mr. Bentley's Counting Method Percentage Estimates For All QBRM Show Little Resemblance to 1997 BRM Practices Study Estimates

After Mr. Bentley developed his own counting method percentages for high and low-volume QBRM accounts, he combined the volumes for high and low-volume QBRM accounts and calculated counting method percentages for all QBRM as shown below in Table 3. He compares his derived counting method percentages[41] to those percentages generated by the Postal Service's 1997 BRM Practices Study (Docket No. R97-1, USPS LR-H-179).

Table 3: BRM Practices Study vs. Mr. Bentley's Estimated Counting Method Percentages

QBRM Category	Data Source	BRMAS	EOR	SCM	Weight	Manual	Total
All QBRM	BRM Practices Study	14%	19%	10%	9%	47%	100%
	Bentley's Estimates	44%	27%	1%	8%	20%	100%

As one can see, Mr. Bentley's estimated counting method percentages for all QBRM bear little resemblance to those estimates resulting from the 1997 BRM Practices Study. The Practices Study suggests that Mr. Bentley's arbitrarily derived estimate for automated counting is greatly overstated, while his estimate for manual counting is similarly understated. These extreme differences cast serious doubt on Mr. Bentley's analysis.

[41] See KE-T-1, page 16, Table 4; Tr. 29/13998.

In contrast to witness Bentley's limited analysis, the Practices Study is based on BRM data collection at nearly 450 sites using statistical sampling methods.[42] According to the study sample design, a list of 10,055 facilities was generated which represented "the universe of facilities which could be identified as processing destinating BRM, or were likely to report BRM revenues."[43] Sites were chosen for the study "with probability proportional to their reported BRM revenues,"[44] so those sites receiving heavier BRM volumes were more likely to be surveyed. Of the universe, the largest 99 sites were automatically included in the survey, ensuring that a large percentage of BRM volume would be represented in the survey results.[45]

VI. Conclusion

A more precise de-averaging of QBRM per-piece accounting fees than proposed by witness Mayo requires more comprehensive data than are presently available concerning the relationship between accounting method and QBRM account volume. The Postal Service's 1997 BRM Practices Study shows, in the aggregate, the degree to which different accounting methods are applied to QBRM volume as a whole. However, it does not provide a way for determining which methods are applied to which accounts on the basis of volume. Although it might be "logical" to assume that more efficient accounting methods are used to a higher degree with larger accounts, the only information which definitively shows what methods are applied to particular accounts is reflected in response

[42] See Docket No. R97-1, USPS LR-H-179, page 9.
[43] See Docket No. R97-1, USPS LR-H-179, page 6.
[44] See Docket No. R97-1, USPS LR-H-179, page 8.
[45] See Docket No. R97-1, USPS LR-H-179, pages 8,9.

to KE/USPS-T29-49 (Tr. 14/6025, 6026, 6030). Another comprehensive BRM Practices Study is needed before we can take de-averaging to the next level. In the meantime, the Commission should not rely on an analysis as flawed as witness Bentley's.

ATTACHMENT USPS-RT-23A

MEMO

DRAFT
REVISED

To : Doug Madison
From: : Hien Pham
Subject : New BRM Costing Methodology
Date : September 2, 1989

In its recommended decision concerning Docket No R87-1, the Postal Rate Commission has urged the Postal Service to design and undertake a new BRM cost study and submit a new rate filing addressing this subject.
In light of the above recommendation and taking into account past criticisms made by both the PRC and the industry's intervenors in recent rate cases, it may be necessary for the Service to conduct a totally new BRM cost study that accurately accounts for the current cost of providing BRM service, while incorporating the most recent changes in technology that have affected the provision of BRM service as well as new operating and accounting procedures.

1. Study Requirements

Any special service cost study such as the proposed BRM cost study is bound to reflect the special service fee concept that requires an accurate accounting of the incremental and additional costs needed to provide the special service above and beyond the costs already allocated to the regular classes of mail (First Class in the case of BRM). These incremental/ additional costs should encompass all costs and should not be limited to clerical processing, accounting or other postage due unit costs as in the case of the 1972 BRM special cost study. In other words, they should reflect all cost differences between the total cost of providing BRM service and that of First Class Mail service. Meanwhile, a special effort should be made to ensure that no double counting of any relevant cost element is involved.
The new BRM cost study should also incorporate all the cost implications resulting from the most recent changes in technology and operating and accounting procedures. Furthermore, it should be designed and structured to reflect the total cost characteristics of BRM service under varying process and delivery conditions.

2. Costing Approach and Methododology

In view of meeting the above requirements, the new BRM costing approach should be aimed at identifying and quantifying all the operational differences betwen a FCM piece and a BRM piece sharing the same mail characteristics. Consequently, all the differences in mail flow processes, work elements and their corresponding productivities, as well as operating and accounting procedures should be clearly identified, measured and costed.

postage due unit
- Primary distribution operation, separating cash and advance deposit accounts
- Secondary distribution operation, sorting to customers / permit holders
- Clerical processing operation involving the counting, rating and billing of BRM
- BRM pickup by carriers and/or box section clerks at the postage due unit.

It should be noted that the FCM manual incoming secondary operation has been somewhat replaced by BRM distribution functions within the postage due unit.

d. Non automation compatible FCM piece and non advance deposit BRM to be processed manually : as shown in Appendix D notable differences involve the following additional operations for the BRM piece :
- BRM separation from the mailstream and diversion to the postage due unit
- Distribution operation separating cash and advance deposit accounts
- Diversion of non advance deposit BRM to windows
- Clerical processing operation at windows
- BRM pickup by carriers and/or box section clerks at windows
- Collection operation
- Accountability relief operation

It should be noted that the FCM manual incoming secondary operation has been somewhat replaced by BRM distribution functions within the postage due unit and at the windows.

With regard to the determination of the cost underlying the accounting fee, the effort should be focused on the preparation, handling, verification and supervision of the various trust accounts forms required for the maintenance of the BRM advance deposit account. These various trust account forms include :
- Form 25 : Ledger Book
- Form 1412 : Postage Due Accounting
- Form 3083 : Trust Account Receipts And Withdrawals
- Form 3544 : Post Office Receipt For Money
- Form 3602 and 3602-B : Information On Meter Reading
- Form 3611 : Postage Due Statement (issued by BRMAS)
- General Ledger Account 40130

Activities related to the preparation, handling, verification and supervision of the above forms may involve the Finance / Accounting unit, the Station Superintendent, the Accountability / Postage Due Cage, and the Advance Payments Section / Window Clerk.

Efforts should also be made to distinguish accounting functions for advance deposit accounts processed on the BRMAS and those processed manually.

Before proceeding with the data collection, a systematic

effort should be made to verify whether the mail flow processes described above are compatible with and accurately reflect the new accounting and operating procedures put in place as a result of the implementation of the BRMAS.

3. Data Collection Requirements

Judgment will be properly exercised in determining the sample size and in view of establishing the representativeness of the total sample. At this point, cost data are expected to be based on tests to take place at two selected sites in each region. In order to ensure the validity and reliability of the data collected, efforts will be made to create a totally controlled testing environment where the latest available technology affecting BRM will be used and where prescribed new operating and accounting procedures will be strictly implemented. The BRMAS Program Manager is currently working with Operations Support to come up with a list of selected sites. The study period at each test site will be possibly for five weeks, overlapping one full AP. The time frame for the tests is yet to be determined but they will only take place once new operating and accounting procedures have been finalized and put in place at test sites.
The data collection process should focus on the following specific research issues :

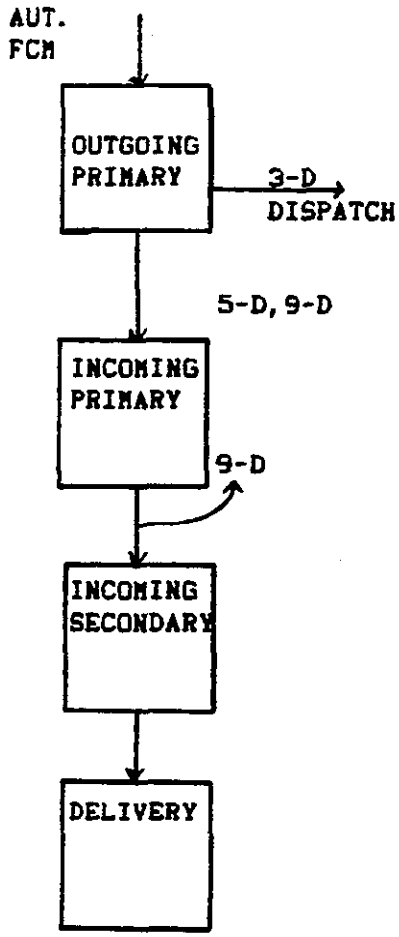
- National estimate of percentage of BRM processed under advance deposit procedures
- National estimate of percentage of BRM processed by the Business Reply Mail Accounting System (BRMAS)
- Percentage of BRMAS rejects
- Productivity of FCM automated incoming secondary operation
- Productivity of FCM manual incoming secondary operation
- Person workhours and number of BRM pieces associated with BRMAS operation
- Person workhours and number of BRM pieces associated with the postage collection of non advance deposit BRM
- Person workhours and number of BRM pieces associated with the carrier's accountability relief for non advance deposit BRM
- Person workhours and number of BRM pieces associated with the manual separation of BRM from the mailstream and its diversion to the postage due unit
- Person workhours and number of BRM pieces associated with the separation of BRM into advance and non advance deposit accounts
- Person workhours and number of BRM pieces associated with the separation of BRM to customers / permit holders
- Person workhours and number of BRM pieces associated with the clerical processing of BRM within the postage due unit
- Person workhours and number of BRM pieces associated with the BRM pickup at postage due units

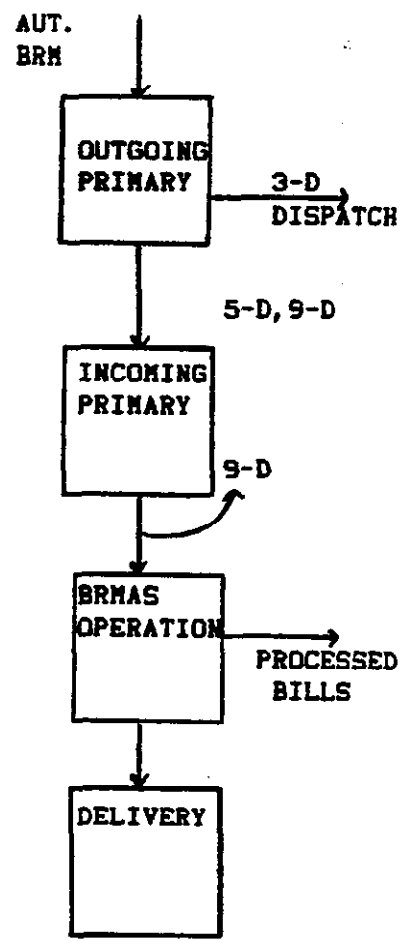
- Person workhours and number of BRM pieces associated with the diversion of BRM to station windows
- Person workhours and number of BRM pieces associated with the clerical processing of non advance deposit BRM at station windows
- Person workhours and number of BRM pieces associated with the BRM pickup by carriers at station windows
- Person workhours associated with the preparation, handling, verification and supervision of trust account forms and the total number of advance deposit accounts.

To assist in the collection and recording of test data, a series of standardized forms will be designed and produced for use by all test sites. Test sites coordinators will be extensively consulted in the design and preparation of these forms especially during the pilot testing period.

APPENDIX A

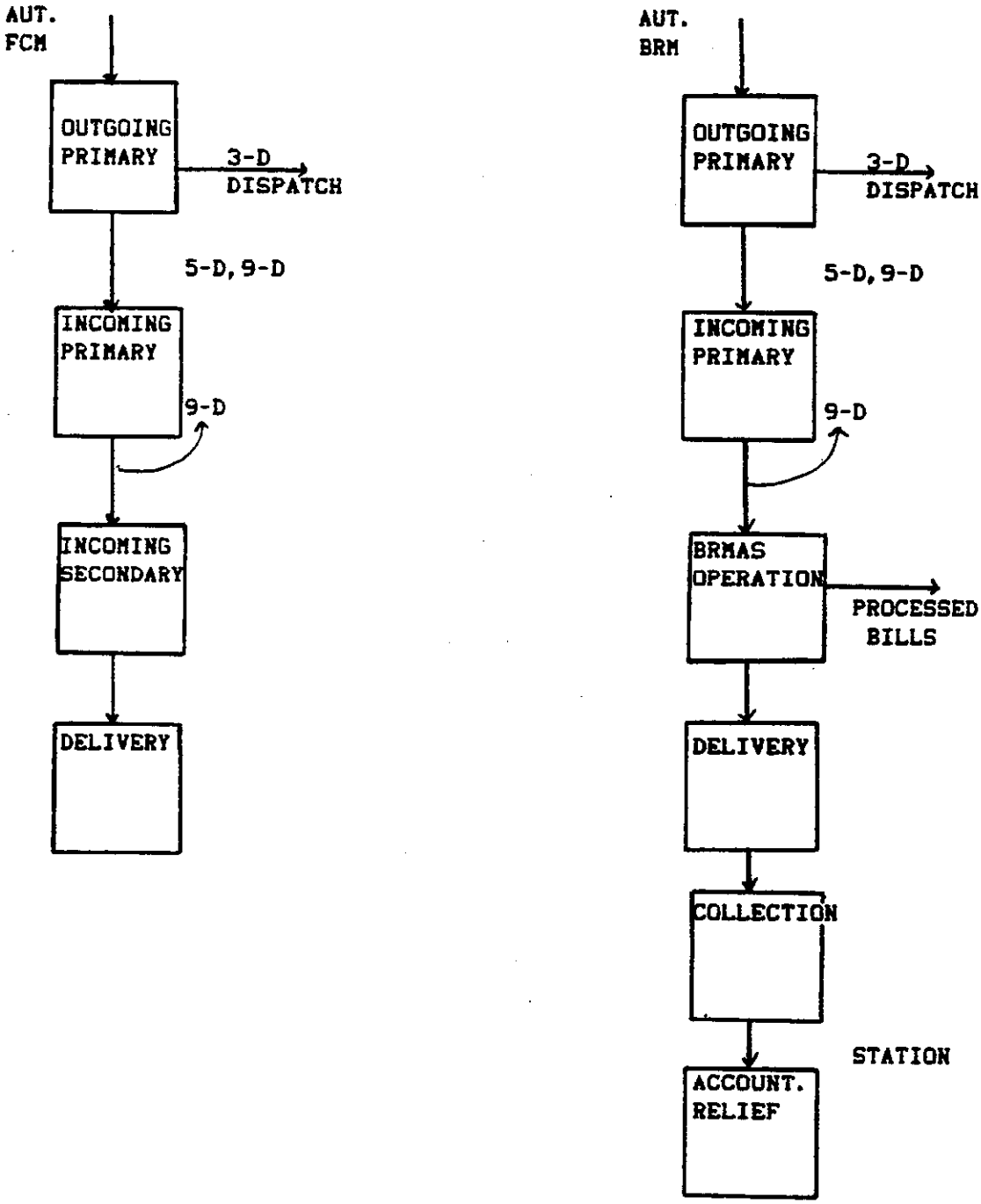
MAIL FLOW COMPARISON
AUTOMATION COMPATIBLE FCM PIECE AND
ADVANCE DEPOSIT BRM PIECE ELIGIBLE FOR BRMAS





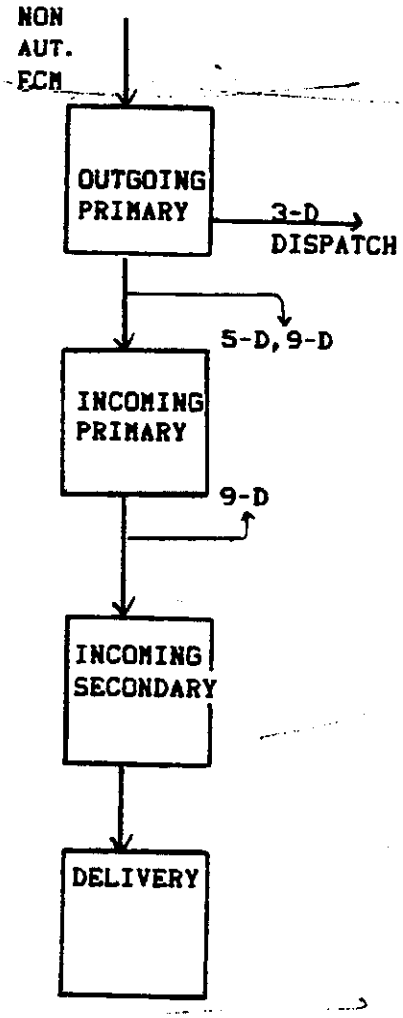
APPENDIX B

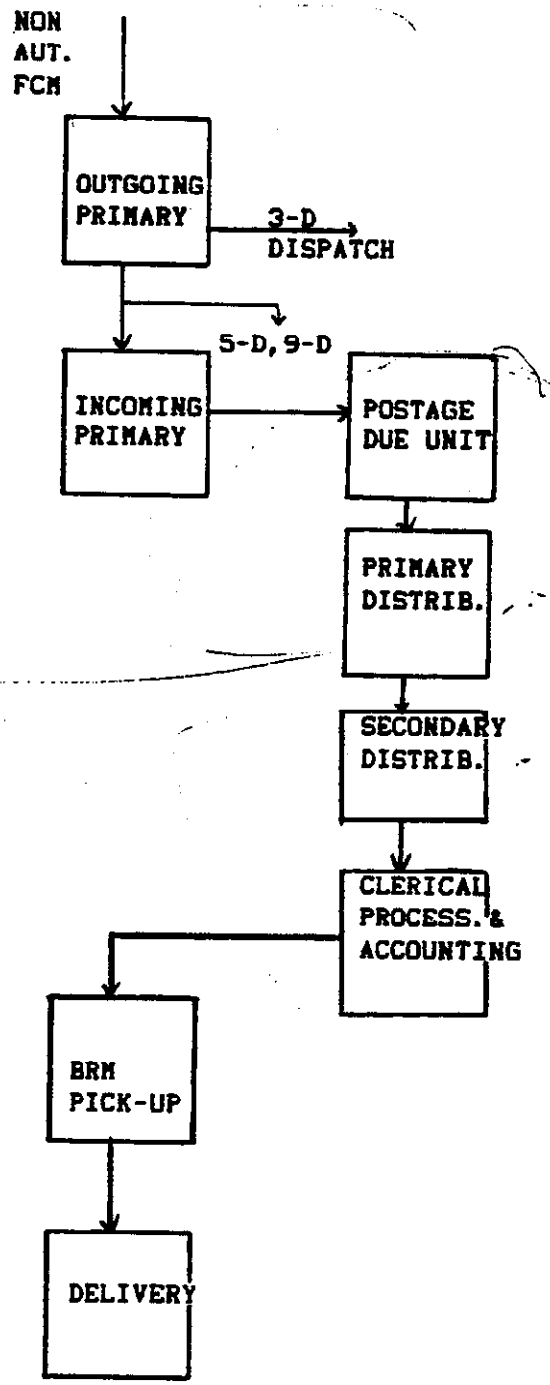
MAIL FLOW COMPARISON
AUTOMATION COMPATIBLE FCM PIECE AND
NON ADVANCE DEPOSIT BRM PIECE ELIGIBLE FOR BRMAS



APPENDIX C

MAIL FLOW COMPARISON
NON-AUTOMATED FCM PIECE AND
ADVANCE DEPOSIT NON-AUTOMATED BRM PIECE





APPENDIX D

MAIL FLOW COMPARISON
NON-AUTOMATED FCM PIECE AND
NON ADVANCE DEPOSIT NON-AUTOMATED BRM PIECE